



STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE BILL ANALYSIS

Date Introduced: **02/20/04**

Bill No: **AB 2526**

Tax: **Diesel Fuel**

Author: **Oropeza**

Board Position:

Related Bills:

BILL SUMMARY

This bill would require the State Board of Equalization (Board) to transmit an amount equal to one-quarter of one cent (\$0.0025) of the eighteen cent (\$0.18) per gallon excise tax imposed on diesel fuel into the Carl Moyer Memorial Air Quality Standards Attainment Trust Fund (Carl Moyer Fund), as specified.

ANALYSIS

Current Law

Under existing Diesel Fuel Tax Law, an excise tax of eighteen cents (\$0.18) per gallon is imposed on each gallon of diesel fuel removed from a terminal rack or imported, unless specifically exempted.

Currently, the Board transmits all money received under the Diesel Fuel Tax Law, except the amounts of overpayment of the fees, to the Treasurer to be deposited in the State Treasury to the credit of the Motor Vehicle Fuel Account in the Transportation Tax Fund. The Board is also required at the same time to furnish copies of the schedules covering the transmittals to the Controller.

All moneys deposited into the Motor Vehicle Fuel Account, unless provided otherwise, are continuously appropriated, without regard to fiscal years, to pay refunds authorized in the Diesel Fuel Tax Law with the balance transferred to the Highway Users Tax Account in the Transportation Tax Fund. Any administrative costs to the Board to carry out its duties with respect to the Diesel Fuel Tax Law are paid, upon appropriation by the Legislature, from the moneys deposited in the Highway Users Tax Account in the Transportation Fund.

Proposed Law

This bill would amend Section 60651 to require the Board to transmit an amount equal to one-quarter of one-cent (0.0025) per gallon of diesel fuel sold into the Carl Moyer Fund. All remaining money would be transmitted to the Treasurer to be deposited in the State Treasury to the credit of the Motor Vehicle Fuel Account in the Transportation Tax Fund.

Moneys deposited in the Carl Moyer Fund would be used to fund the following eligible projects:

- Purchase of new very low or zero-emission covered vehicles or covered engines.
- Emission-reducing retrofit of covered engines, or replacement of old engines powering covered sources with newer engines certified to more stringent emissions standards than the engine being replaced, or with electric motors or drives.

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the Board's formal position.

- Purchase and use of emission-reducing add-on equipment for covered vehicles.
- Development and demonstration of practical, low-emission retrofit technologies, repower options, and advanced technologies for covered engines and vehicles with very low emissions of oxides of nitrogen.

The bill would become effective January 1, 2005.

Background

In 1999, Assembly Bill 1571 (Chapter 923, Villaraigosa) created the Carl Moyer Memorial Air Quality Standards Attainment Program, to be administered by the State Air Resources Board. Under the program, the Air Resources Board is authorized to make grants for the purchase of low-emission, heavy-duty engines for vehicles, equipment, vessels, and locomotives, as specified. That bill also established the Carl Moyer Memorial Air Quality Standards Attainment Trust Fund in the State Treasury.

COMMENTS

1. **Sponsor and purpose.** This bill is sponsored by the author and is intended to provide a stable ongoing source of funding for Carl Moyer program expenditures.
2. **Suggested Amendments.** It is suggested that language be added that would appropriate moneys deposited in the Carl Moyer Fund to pay refunds authorized in the Diesel Fuel Tax Law and reimburse the Board for its administrative costs, consistent with Sections 60652 and 60654. In its current form, refund payments and Board administrative costs would be paid only from the Highway Users Tax Account in the Transportation Tax Fund.

It is also suggested revising the basis of the amount transmitted into the Carl Moyer Fund. In its current form, the bill would require an amount equal to one-quarter of one cent (\$0.0025) per gallon of diesel fuel sold be transmitted into the Carl Moyer Fund. However, this is not consistent with the imposition of the diesel fuel tax, which is generally based on the removal of diesel fuel in this state from a terminal if the diesel fuel is removed at the rack. The author may wish to consider amending the bill to align the basis of the transfer amount to the imposition of the diesel fuel tax.

Board staff is available to work with the author's office in drafting amendments to the bill that would address these issues.

COST ESTIMATE

Some insignificant costs (under \$10,000) would be incurred in computer programming and accounting functions related to the transfer of diesel fuel tax moneys received into the Carl Moyer Fund.

REVENUE ESTIMATE

Background, Methodology, and Assumptions

Based on statistics compiled from Board Diesel Fuel reports, diesel fuel consumption in fiscal year 2002-03 was 2.6 billion gallons. This bill would apportion an amount equal to

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one-quarter of one cent (\$0.0025) per gallon of diesel fuel sold. The estimated apportionment is \$6.5 million (2.6 billion gallons × \$0.0025 per gallon = \$6.5 million) to the Carl Moyer Fund.

Revenue Summary

This bill would apportion about \$6.5 million annually to the Carl Moyer Fund.

Analysis prepared by:	Cindy Wilson	916-445-6036	04/19/04
Revenue prepared by:	Ronil Dwarka	916-445-0840	
Contact:	Margaret S. Shedd	916-322-2376	
Is			2526-1cw.doc